



March 4, 2013 Public Hearing Testimony before the Connecticut General Assembly Finance Committee

EITC Proposed Cut and Energy Auction

Distinguished Chairpersons, Vice-Chairpersons, Ranking Members, and Members, my name is Rhonda Evans and I serve as Deputy Director of the Connecticut Association for Community Action (CAFCA). **I am here to express our concern over the Administration's proposal in the state budget to cut the Earned Income Tax Credit (EITC) from its current 30% of the federal to 25% for 2013.**

By way of background, CAFCA is the state association for Connecticut's eleven (11) Community Action Agencies (CAAs). These are the local agencies designated by federal and state governments as partners in helping people work their way out of poverty. Our network serves all 169 cities and towns utilizing a Results Based Accountability (RBA) framework to report our outcomes. We collaborate across silos with state government and other nonprofit providers and businesses to help families avoid financial crisis, and empower people with job training, energy assistance, child care, and other vital supports to regain their financial footing if they do experience poverty. In many instances we serve as a single point of response and triage for families, and administer a variety of programs to reach families as an early intervention strategy. We provide support, assistance and renewal for families when other sources of support have ended. In doing so, we serve more than 400,000 people annually in each and every part of the state.

As you know, the Governor's budget recommends decreasing the Connecticut EITC, currently worth 30% of a filer's federal EITC, to 25%. This proposed cut will significantly and negatively impact those low-income, working families who have been able to benefit from this credit. After being established by Connecticut lawmakers in 2011, more than 180,000 families utilized the state EITC in its first full tax year. On average, these families had gross incomes of about \$18,000 and were able to receive approximately \$600 from the EITC. While this amount may not seem substantial, our CAAs know first-hand just how important it is to many of our customers who receive it. Our network aims to provide families facing poverty with the skills and opportunities required for economic success and child well-being, and the EITC continues to be an important factor in this process. The credit can only be obtained by those who earn income through work, and it is structured to encourage families to not only continue to work, but rise out of poverty and become economically self-sufficient. Finally, families who benefit from and use this credit positively contribute to Connecticut's economy.

The EITC is a proven anti-poverty tool that makes a big difference in the lives of many, and any cut to the EITC represents a tax increase on one of Connecticut's most vulnerable populations: working families in poverty, trying to make their way out. CAFCA and our CAA network are grateful to Governor Malloy and the legislature for their continued support of the EITC, and we hope that our testimony today will keep the EITC at its current 30%.

Another item before you that I would like to comment on is the proposed 'energy auction'. The Governor's budget recommends having the state oversee an 'energy auction', which would sell off the rights to provide electric service to Standard Offer customers to the highest bidder. While I understand that the proposal may bring some additional funds into the state budget, it does so by further confusing an already confusing process and does nothing to provide long term relief to energy customers, especially low-income energy users. As mentioned above, the CAAs operate the Connecticut Energy Assistance Program (CEAP) which helps to provide some heating assistance relief to low income customers. Our customers are currently paying the highest rates for energy in the country and the energy affordability gap

is 70% of a users' total income. In other words, Connecticut residents are truly in a heat or eat or heat or see (electricity) situation. Additionally, 31% of our energy assistance customers are low income elderly, who are on fixed incomes and are confused by all the competing interests around utility services: this proposal does not seem to be of any long-term assistance to those customers.

While the Governor's intent may be noble in attempting to lower rates for Connecticut's citizens, there are definitely no guarantees of such an outcome. It appears that the Connecticut AARP has thoroughly researched the issues around this proposal and we are supportive of the recommendations on this made by the CT AARP.

Thank you very much for your time and consideration. We look forward to working with you and the Administration to even more effectively support Connecticut's low-income residents as they continue to face economic challenges in this great state.